



## Smartcards and Savings Bring Smiles to Malawi

Mr. Mkandawire, a farmer growing a variety of crops in Kasungu, Malawi, walked into Opportunity International Bank of Malawi (OIBM) nervous but excited. Mr. Mkandawire's community sent him as the sole representative to deposit their extra earnings in their new bank account. He rode the bus from his home for two hours to open his first bank account, and he had no ID. No problem, said the teller. Mr. Mkandawire filled out the paperwork, and waited while the teller typed it immediately into the computer which then generated his smartcard.

The smartcard provides an efficient and accessible ID system for the bank by minimizing paperwork like identification documents for clients and forms. Mr. Mkandawire was photographed and fingerprinted for his smartcard. Only about 8% of the urban population in Malawi use the banking system - 2% from rural areas. High minimum deposits, traveling distances, and expensive ID's are reasons why banking has been inaccessible to most Malawians. The smartcard has helped change that and make banking easier.

USAID funds programs provided by OIBM, including very small - and small business loans, as an important way to increase employment opportunities. Malawi has one of the highest population densities in Africa, with the majority farmers living on less than one hectare of land. Through several USAID programs, Malawians can initiate or develop income-producing ideas such as bee-keeping and tailoring.

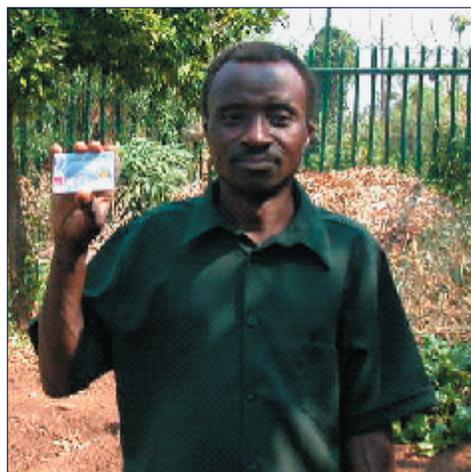


Photo: USAID/Malawi

Mr. Mkandawire holding his OIBM smart card.

To support economic growth in Malawi, USAID began funding OIBM as part of a program that provides financial opportunities to small business owners in twenty-five developing countries. Programs like these cover a range of financial services like small business loans and savings accounts, especially for the poor.

Already, OIBM's activities show that even if people have only a few dollars, given the opportunity to save money, they will. The minimum deposit for the account is 500 Malawi kwacha (approximately \$5). With harvest time right around the corner, Mr. Mkandawire quickly convinced other farmers in his community to open an account. He is happy and the whole process had taken less than an hour.

Mr. Mkandawire is just one of more than 7,000 Malawians for whom opening an account at OIBM is a big accomplishment. Since the bank's opening in May 2003, the number of clients has increased each month - 50% of whom had never before had a bank account. By emphasizing savings, OIBM has taken a less common path for financial institutions, which can rely on donors to fund loans.

**In its first year, OIBM has provided about 300 loans with an average amount equivalent to \$300. About 70% of the loans went to women.**

Through OIBM, a community's excess resources are collected and saved, and then cycled back into the community in the form of loans, which when repaid are recycled into new loans. OIBM plans to expand its lending and make its services more accessible, with more locations and products. Through financial programs for very small business owners, USAID is helping thousands of Malawians to invest in their own livelihoods and provide for their families.

Success Story

